

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2018-318-E

In the Matter of)	REBUTTAL TESTIMONY OF
)	RETHA HUNSICKER FOR
Application of Duke Energy Progress, LLC for)	DUKE ENERGY PROGRESS,
Adjustments in Electronic Rate Schedules and)	LLC
Tariffs and Request for an Accounting Order)	

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT POSITION.

A. My name is Retha Hunsicker and my business address is 400 South Tryon Street, Charlotte, North Carolina. I am employed by Duke Energy Business Services, LLC as Vice President, Customer Connect-Solutions.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY AND EXHIBITS IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to ORS Witness Zachary Payne's recommendation to disallow the projected two year (2019-2020) average operating and maintenance ("O&M") expense of \$1,227,000 for the Customer Connect Program because, he argues, the costs are not known and measurable.

Q. DO YOU AGREE WITH THIS RECOMMENDATION?

A. No, I do not. While I am not a lawyer or an accountant, I have been advised that the known and measurable standard is a standard for recognizing out of period adjustments to historical test-period data. In such cases, changes occurring after the close of the test period may be recognized only if they are known (there is a high degree of certainty that change will in fact occur) and measurable (the effect of the change can be accurately quantified in advance). The Company's calculation of

1 incremental O&M expense for 2019 and 2020 clearly meets this standard.
2 As I explain below, the expenses are “known” because the Company has
3 entered into fixed contracts with multiple vendors to develop the program,
4 and these contracts contain provisions requiring the Company to provide
5 specific specified levels or internal labor to support execution of the work.
6 The expenses are “measurable” because the fixed contracts contain
7 specified price terms, which serves as the basis for the Company’s
8 forecasted expenses. Further, the Company is in the process of
9 completing the hiring of the aforementioned internal labor to support
10 execution of the work under the contracts.

11 The Company used a disciplined process to forecast the expenses
12 using the fixed fee contracts for software, system integrator professional
13 services, and change management and training professional services as the
14 foundation. These contracts account for a significant portion of the overall
15 cost of the program. The contracts specify the amount of labor the
16 Company must provide to execute the contracts.

17 Further, much of 2018 was spent completing the high-level future
18 state design for the core meter-to-cash solution. As such, the Company
19 now has an even clearer picture of the level of effort required to modify
20 the interfacing systems and have entered into fixed fee contracts with
21 numerous integration/dependent partners to complete this work. These
22 contracts account for more than 55 percent of the initial estimate for this

1 work; the remaining 45 percent accounts for hardware and software
2 purchases and internal labor to support the scope of the contracts.

3 **Q. HOW WERE THE REQUESTED EXPENSES DERIVED?**

4 A. The best and final offers from the extensive request for proposal (“RFP”)
5 process were used as the foundation for the forecast. The Company
6 submitted the RFP in June 2016 and received bids from four Systems
7 Integrator teams and two Software Package vendors for all components of
8 the program in August 2016. The Company evaluated the vendors
9 through demos and orals/interviews, and conducted seven reference calls
10 with other utilities before selecting SAP as the software vendor and
11 Accenture as the systems integrator in February 2017. In June 2017, the
12 Company executed contracts in accordance with the best and final offers
13 with the selected vendors.

14 These executed contracts account for a significant portion of the
15 overall cost of the program and cover the primary software, systems
16 integration professional services, and change management and training
17 professional services as well as the amount of internal labor the Company
18 is required to provide to complete the scope of the contracts. Specific
19 costs to cover activities beyond the scope of the contracts but within the
20 scope of the program, such as the effort to modify more than 100
21 interfacing systems, were added, leveraging established program
22 estimating techniques and assumptions. The forecasted expenses were
23 derived by members of the program team, each with extensive experience

1 estimating and managing large-scale technology development programs
2 similar to Customer Connect. The average O&M expense forecasted over
3 the 2019-2020 period and attributable to DE Progress SC, which served as
4 the basis for the incremental revenue requirement in this case, is
5 approximately \$1.4 million. That amount includes these components:

- 6 • Costs directly correlated with the fixed fee contracts, totaling
7 approximately \$270 thousand.
- 8 • As described above, the fixed fee contracts contain provisions
9 requiring the Company to provide specific levels of labor to support
10 execution of the work. Costs for the incremental labor required to
11 support the scope of the fixed fee contracts total approximately \$90
12 thousand.
- 13 • The cost to develop each interface is within the scope of the fixed fee
14 contract; however, the cost for any modifications required of the
15 interfacing systems is not within the scope of the fixed fee contract and
16 represents a critical component of the overall program scope. Costs
17 for the incremental labor required to modify the systems that the new
18 Customer Connect solution will interface with total approximately \$30
19 thousand.
- 20 • Costs for effective oversight, governance and quality management for
21 the program, totaling \$90 thousand.

- 1 • Costs for key leadership positions for the program, totaling
2 approximately \$60 thousand. These positions are filled, and their costs
3 are known.
- 4 • Costs for cleanup of existing data in preparation for conversion into
5 the new platform that were set following extensive benchmarking that
6 occurred with other utilities that had recently completed a similar
7 project. These costs cover the activities associated with mitigating
8 data conversion risks and total approximately \$70 thousand.
- 9 • It is necessary to ensure service to customers is not adversely impacted
10 during the deployment of Customer Connect. Accordingly, the
11 Company needs to deliver training to end users of the new platform
12 and hire incremental staff to minimize any negative impacts customers
13 would experience post-deployment. These costs total approximately
14 \$60 thousand.
- 15 • To ensure forecasted costs to cover inflation and contingency were
16 calculated using appropriate methods, the Company's project
17 management center of excellence commissioned an independent
18 estimate review committee to review and approve these costs. These
19 costs reflect the known risks and uncertain changes in cost or schedule
20 that could occur over the length of the program and help provide
21 certainty that the program will not spend more than originally
22 estimated. These costs total approximately \$550 thousand.

1 •

2 II. CONCLUSION

2 Q. DO YOU HAVE ANY ADDITIONAL COMMENTS IN CLOSING?

3 A. Yes, I do. The Company is fully committed to Customer Connect. No
4 one in this case has criticized the necessity of the system or the benefits it
5 will enable for customers. In fact, the Program is already providing
6 benefits to customers. In June 2018, Customer Connect deployed its first
7 release which is foundational to building a holistic customer profile –
8 gathering all relevant touchpoints customers are having with Duke Energy
9 in real-time, such as web visits, phone calls, power outages, outbound
10 communications, and product and service participation. The Company
11 also gained the ability to execute automated and targeted marketing and
12 communication campaigns to better serve customers and personalize their
13 experience. Also, in February 2019, leveraging insights from the holistic
14 customer profile, the Company began using the new platform to predict
15 the intent of customers when they call. This and other information has
16 been made more readily available to customer care specialists, who are
17 leveraging it for context into why a customer may be calling and having
18 more informed and productive conversations with customers.

19 Throughout 2019, the Company will continue to build on
20 functionality to enable more meaningful, personalized and valuable
21 interactions for customers, including integration with the interactive voice

1 response (IVR) system to better predict customer intent and expose that
2 data to customer care specialists.

3 In 2020, the Company will introduce a universal bill format to help
4 customers more easily view and understand their bill and energy usage.
5 Lastly, in 2021 and 2022, the Company will deploy the final components
6 of the core meter-to-cash solution. In addition to all meter-to-cash
7 processes, the Company will begin providing customers with additional
8 self-service capabilities and portals, new rate offerings and advanced
9 billing options.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 **A.** Yes.